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ABSTRACT

This collection of case studies is intended for use in a course in setting up a small business. The first, a case study of the process of setting up a service company, covers analyzing the pros and cons of starting one's own business, assessing the competition and local market, and selecting a site for and financing the business. The principal advantages and disadvantages of starting a small business, market and trade area analysis, types of business organization, facility and equipment requirements, and methods of obtaining financing are addressed in the case study of setting up a manufacturing firm. The third case study, which deals with establishing a retailing firm, covers the steps involved in deciding whether or not to establish a small business, market and trade area analysis, operations, finance, competition, and methods of determining the numbers and types of employees that will be needed. (MN)

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HOW TO SET UP YOUR OWN

SMALL BUSINESS

SERVICE COMPANY CASE STUDY
MANUFACTURING FIRM CASE STUDY
RETAIL STORE CASE STUDY

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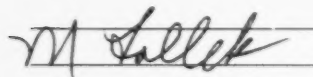
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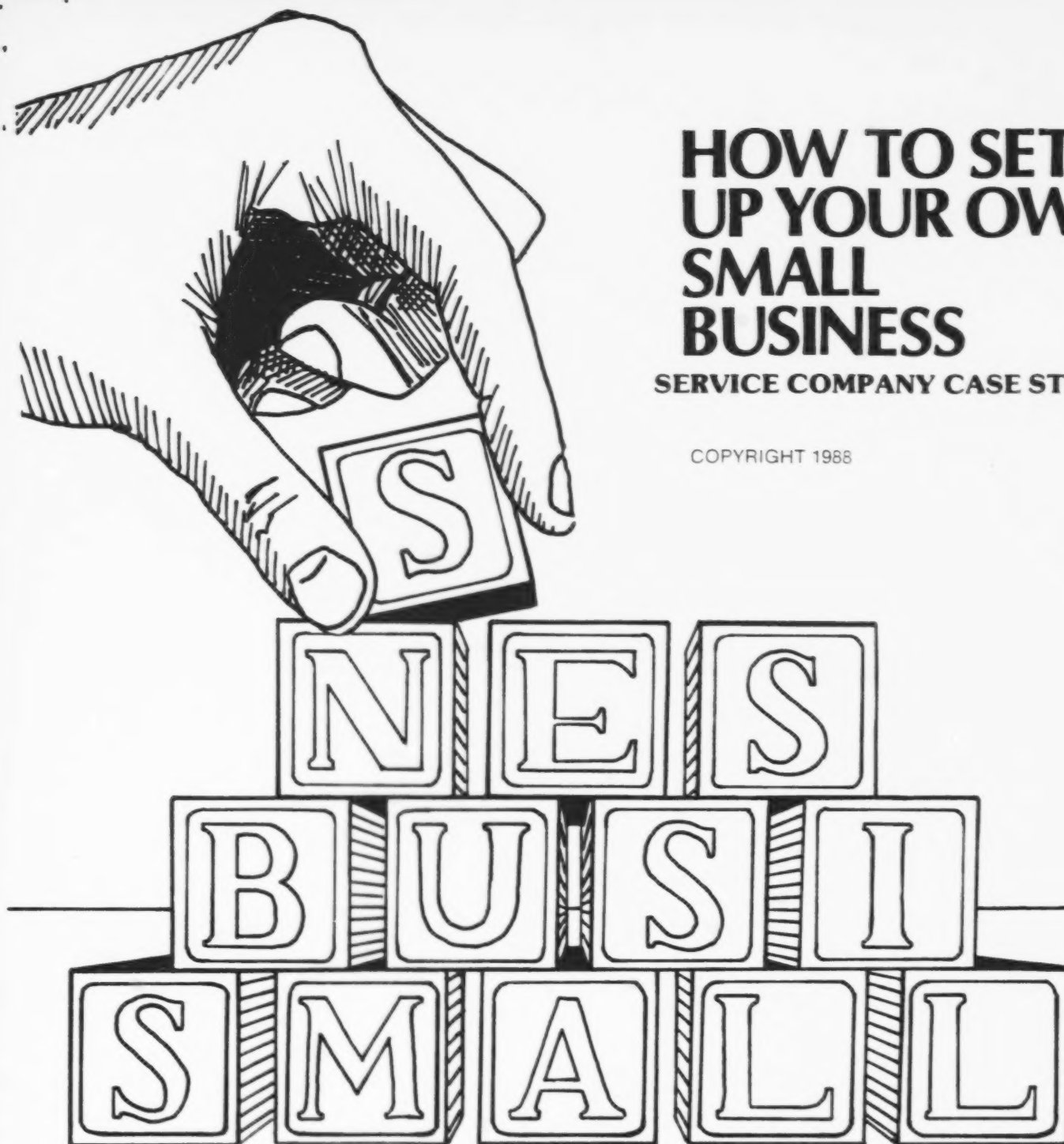
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HOW TO SET UP YOUR OWN SMALL BUSINESS

SERVICE COMPANY CASE STUDY

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SERVICE COMPANY CASE STUDY

Joan Pearson is 25 years old, single and with no serious involvement with any boyfriend. She lives in a relatively small Southern California community which has a population of 125,000. She was born and raised in San Francisco and attended and graduated from a vocational technical high school. She took courses in office procedures, bookkeeping, typing, shorthand, word processing and PC operation.

After graduating from her vocational technical high school she then attended a local business school in San Francisco and received her degree after taking additional courses in Word Processing, Computer Operations and in the working of other office machines.

Upon graduating at the age of 20, Joan took a job with the BESECURE INSURANCE COMPANY in the community where she now lives. After five years, her annual wages amount to \$16,000 with excellent fringe benefits.

Approximately two years after arriving in the community, Joan became friendly with a young attorney who worked for a fairly large firm. On learning of her skills in word processing, he asked Joan if she would ever be interested in working part time or on weekends or in the evenings. She thought this would be a pretty good way of earning extra money and began taking on an occasional job for the law firm.

As the work opportunity increased, Joan asked the office manager of the Law firm, if they would object to her working out of her apartment if she had her own word processor. The office manager said that was fine and thus Joan purchased her own small Personal computer and software for word processing. Thus she began doing work at home.

Joan was quite active with her local church and also was very much involved with a Ski Club during the winter and a Swimming Group during the summer. She had lots of young friends. About two years into her moon lighting she began to think that if she went into business for herself she possibly could come out better financially. Then she wondered what would happen if she started up her own temporary help company? She said to herself, "I have this one part time job, why can't I get others?" And, "if I can get others, why not either talk to some of my friends to see if they would be interested in working part time, or, why not advertise for people who would be interested in working part time. Other firms do it?"

EXERCISE ONE

1. What are the things that Joan should check into in considering whether or not to start up her own Temporary Help firm?

2. How can Joan learn more about competition if she was to start her own company?

3. What are the advantages and disadvantages to Joan for starting up her own business?

COMPETITION

Joan determines that she must take a close look at competition. Going into the Yellow pages of her local telephone directory she finds out that:

1. There are two temporary help firms with a national franchise affiliation.
2. There is one temporary help firm with local ownership.
3. A local Employment Agency also provides temporary help.
4. There is one company that takes on overload services in their own shop. For example word processing, direct mail, copy machine activity, etc..



EXERCISE 2

1. Temporary help firms provide workers for many different types of job activities. How can Joan go about finding out what these different activities are?

2. Joan realizes that in order to be profitable in the Temporary Help field by farming or renting out workers, she must pay the workers at a lower rate than which she will charge her customers. How can Joan find out what is the going rate her Competition is currently paying their people, and, in turn find out what Competition is charging their customers on an hourly basis for these very same people?

3. What are the other things that Joan should know about competition?

4. What can Joan do to find out what USERS, or current customers think about the current temporary help firms they are using?

THE MARKET

The city that Joan lives in is a rapidly growing community. There are several small to medium size electronic companies together with two large aerospace firms. A large number of distributors who service these firms have sprung up in her city.

Because of the freeway structure in Southern California, a good number of workers commute daily from outside of the community. In addition to the two aerospace firms and the electronic companies, there is a general mix of many other companies including:

- Joans Own Insurance Company which is the home office
- Several light manufacturing firms
- Three colleges whose combined student population is 12,000
- A downtown retail complex

Residential construction is quite active since the city is growing at the rate of Six Per Cent (6%), per year. Because of the growth of the community there appears to be little or no unemployment.

The most recent census shows that the average age for the community is under 40 which means that there are a relatively large number of young families. And, like many California communities where there is a concentration of aerospace and electronic firms, they too have young employees, since as companies go, they are young themselves.

EXERCISE 3

1. What special problem or problems can Joan expect because of the high level of employment?

2. Because of the relatively small size of Joan's community, what are the different kinds of advertising Joan can do in order to:

GET CUSTOMERS FOR HER SERVICE: _____

FIND HER TEMPORARY WORKERS: _____

3. What are some suggested names that Joan should consider using for her proposed temporary help service?

4. What types of customers will want to use Joan's temporary help company?

SITE SELECTION

Joan has visited all of her potential competitive offices. She notices that in each one, there is a general reception area where prospective temporary help employees are interviewed, screened and even tested.

The interviewing process usually includes first, the completion of an application, then a short "Intelligence" test, and then the prospect takes a test on one or more machines, depending upon their skill area.

She has contacted a real estate agent who tells her that office rent is directly dependent upon location. Should she wish to locate in the prime commercial area of the city, then her rent will run \$17.00 per square foot. If she locates in the suburban area of the community or, near one of the colleges, her rent will run \$14.00 per square foot and if she locates in one of the industrial areas, rent will run about \$10.00 per square foot.

When Joan purchased her own PC so that she could do her work processing at home, she moved into her own two bedroom apartment. She converted one of the bedrooms into an office where she did her work evenings and on weekends. In this way, she was not only able to do her work at home and save on driving time, but she was able to charge off some of her housing expense through her business.

Her income from taking on part time work at home was now amounting to an average of \$150. per week in addition to her regular wages at BESECURE INSURANCE.

EXERCISE 4

1. Since Joan already has her two bedroom apartment already set up with one room as an office, should she locate her new business there? If, YES, why, and if NO, why not?

2. Where should Joan locate her business and why?

3. Approximately how many square feet of space will Joan need for her proposed Temporary Help Firm?

4. What types of office machines should Joan have in order to properly test her prospective employees?

5. What will Joan need in the way of furniture and other equipment and supplies for her office?

FINANCING THE BUSINESS

After examining competition and looking at the overall market for her Temporary Help Business, Joan decides it will be best for her to rent approximately 700 square feet of office space in the downtown business area. This is for two reasons:

First, easy access to many business prospects

Second, convenience to potential people interested in doing temporary office work.

The office Joan will be renting, will be at street level. It will have a combination reception and testing area and an office for herself. Her own office will also have a small desk in which a telephone sales person can sit, calling prospects.

Joan is quite an entrepreneur and in meeting with the owner of the building where she is going to locate, she strikes what she considers to be an excellent deal. First, the owner likes her assertiveness and desire to own her own business. In addition, Joan tells the owner, that if he gives her a reduced rate, she in turn will do temporary help jobs for him at a reduced rate, or will trade work for rent reduction.

Accordingly, her annual rent is set at \$15.00 per square foot. This amounts to \$7,500. per year or \$625.00 per month. Since the office was formerly occupied by a law firm, and it was left with virtually new carpeting and in excellent condition, she will have no leasehold improvement.

Joan knows that she will have a number of start-up expenses which include:

Office Furniture	\$2,000.00
Office Equipment	2,000.00
Office Supplies	500.00
Stationery, Calling Cards,	1,200.00
Invoices, Worker Time Slips	
Work Orders, etc.	
Initial Advertising	1,000.00

Her offices are air conditioned and heat and electricity are furnished in accordance with her lease. She decides to sign a two year lease with an option to renew the lease for three years at \$18.00 per square foot plus her pro rata share of any tax increase on the building.

will have the following estimated annual expenses for her business:

Telephone	\$1,200
Yellow Page Advertising	600
Advertising for employees	1,200
Advertising for customers	1,200
Office Supplies	600
Automobile-gas, oil, maint.	2,400
Full time receptionist	12,000
Part time sales person	6,000
Miscellaneous	600

Joan will have fringe benefits for her receptionist and sales person which will amount to 20% of their annual wages. Joan also calculates that her own personal living expenses will amount to \$800 per month.

Joan has also found out that in the temporary help field for her community, the firms add an average of \$3.00 per hour over and above the hourly rate, including fringe benefits, which they pay their employees, to their customer charges. In other words, if Joan pays a typist \$5.00 per hour, when she adds in 50 cents for her fringe cost, she will charge the customer \$8.50 per hour for the use of her typist.



EXERCISE 5

1. What is the total start-up expense including office furniture and equipment cost to Joan?

2. What will be the total average monthly expense for Joan's temporary help business before including any of her labor costs for the temporary workers that she places?

3. Since Joan has a gross margin of \$3.00 per hour, over and above her temporary help labor cost, including fringe benefits, how many hours of Temporary Help Labor will Joan have to sell in order to:

COVER HER MONTHLY BUSINESS EXPENSES: _____

COVER HER MONTHLY PERSONAL EXPENSES: _____

4. Prepare a pro forma Profit and Loss Statement showing Joan making a profit of \$18,000 for the year.

5. If Joan was to make a profit of \$18,000.00 in her first year, would this be a good business for her to go into?



HOW TO SET UP YOUR OWN SMALL BUSINESS

MANUFACTURING FIRM CASE STUDY

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MANUFACTURING FIRM CASE STUDY

John Benson and Jim Wright have worked together as employees of the American Lumber Company for the past 15 years. They are both skilled carpenters and during their time at American Lumber they have learned all of the operations both in the yard and in carpentry work.

From the time they both started work at the yard, they have developed a close friendship. Over the years, their wives and families have gotten to know one another. They have taken vacations together and the two couples frequently go out together.

Ever since they got to know one another, John and Jim have shared a common dream to have their own kitchen cabinet business, either custom designed for homes, or made on a mass production basis. They also would do remodeling jobs and build decks and family rooms such as recreation rooms.

John, in addition to his carpentry work at American Lumber, has recently been moved into the purchasing department where he has acquired experience in all phases of buying. Approximately two years ago Howard Segal, President of American Lumber moved Jim into sales where he has become one of the top salesman for the company. His sales calls include calling upon both contractors and individuals who visit the yard. With regards to the contractors, he has developed a nice group of customers.

Although John and Jim love their work, both feel underpaid and also do not feel they receive proper recognition for their work. Recently, Mr. Segal brought in his son-in-law as General Manager and he has been somewhat of a tyrant. He seems to single out both John and Jim.

John is 42 years old and has two children, Debbie, age 15 and John Jr., age 17. Jim is 37 years old and has three children, Maureen, age 16, Bill, age 12, and Judy, age 5. They each own their own homes. John has monthly payments including principal, interest, taxes and insurance of \$775.00 per month. The value of his home is \$125,000 and the balance on his mortgage is \$40,000. Jim has monthly payments of \$900 including principal, interest, taxes, and insurance. The value of his home is \$90,000 and the Balance on his mortgage is \$60,000.

John currently earns \$30,000 a year and Jim earns \$35,000. Both their wives work, with Jim's wife earning \$14,000 as a school teacher and John's wife earning \$10,000 doing office work.

EXERCISE ONE

1. What are the principal reasons why John and Jim should start their own business?

2. Please list any causes for concern or disadvantages that John and Jim will have in considering going into their own business?

3. John and Jim each have different families and family needs. How are these needs going to be affected by their going into their own business?

OBJECTIVES

John currently earns \$30,000 and Jim earns \$35,000 at American Lumber Company. Both receive Health insurance and each has a term life insurance policy of \$25,000. They both receive two weeks paid vacation a year. The Company has both a pension program and a profit sharing program. Since both have worked at the company for ten years, they are both fully invested which means they can take their profit sharing money with them.

John currently has \$12,000 in his profit sharing account while Jim has \$6,000 in his account. He had taken some money out earlier to pay for an automobile.

Both John and Jim together with their wives have discussed where they would like to be in five and ten years. They both would like to make \$50,000 a year within five years and would like to see their company have at least twelve employees by the end of their fifth year.

EXERCISE TWO

1. List the objectives that both Jim and John have for themselves and their business?

2. John and Jim will have to prepare a business plan. The plan will require a number of things and activities. Please list what they will need to complete and actually do their business plan?

THE MARKET AND TRADE AREA

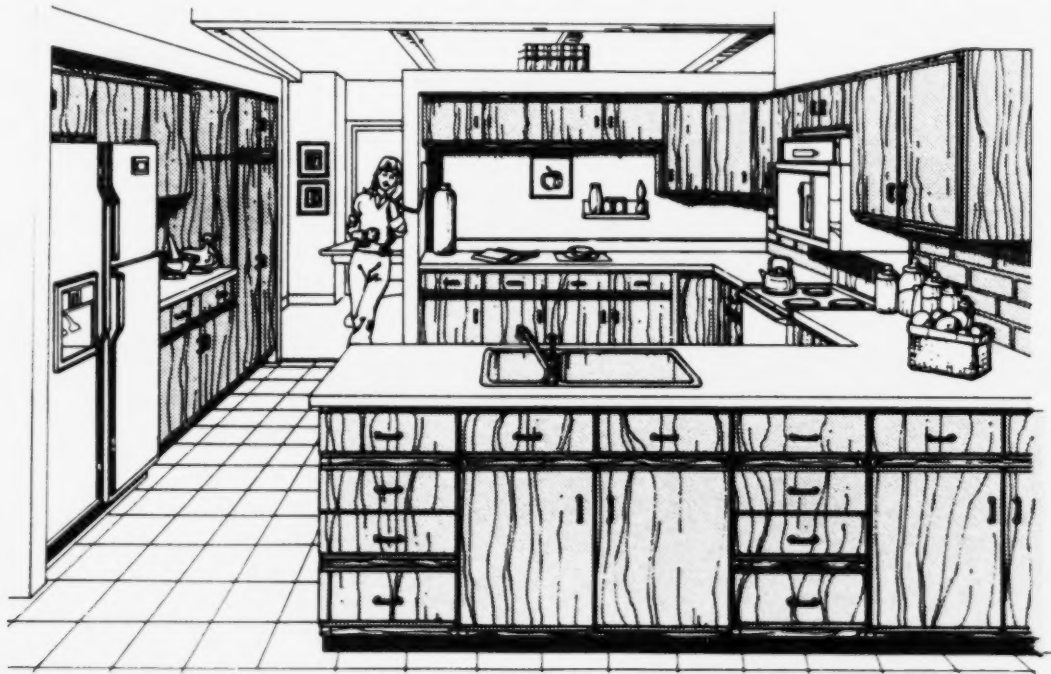
John and Jim live in a relatively large metropolitan trade area in which the total population is in excess of 600,000. Approximately two thirds of the population is found within the city and the remainder in five suburban communities, each with approximately 30,000 people.

About 80 per cent of the housing is in single family dwellings, with the balance in apartment units. Their midwestern community is not considered a heavy manufacturing base. Rather, manufacturing is concentrated in the electronics, computer and medical equipment industries and in agriculture.

There are two major universities and several colleges located in their area. Much of the major growth in their community is taking place in the suburbs. The population is growing at the rate of five per cent annually.

Of the five suburban communities, two are primarily residential, one of the major universities is located in another, one has a heavy concentration of commercial businesses and the other has a mix of residential and commercial.

As John and Jim think about their proposed business, they agree that they will concentrate their efforts at first, in developing customers for their kitchen cabinets. As requests or jobs come in for remodeling, it is their intention to hire a crew to do this type of work under their supervision.



EXERCISE THREE

1. What products and types of product lines are John and Jim going to sell as standard products in the manufacturing unit of their proposed business?

2. What additional products and/or services are John and Jim going to sell?

3. Define the market or list the types of consumers or customers for the product line that John and Jim intend to sell?

4. In view of the product line(s) the business is going to have, what are the important factors they should consider when choosing the location for their business?

TYPE OF BUSINESS ORGANIZATION

John and Jim are about to set up their company. They know they must divide up the duties that will be required to run the business. Both realize that as they get started, they will have to spend actual time in the shop designing and building their line of kitchen cabinets.

They both realize that for optimum efficiency, they should define each of the job functions that will be required and who will be responsible for each of these functions. They also know they will have to go to the bank to arrange for a loan.

They agree that they both will have equal ownership in the new venture. Both will make the same cash investment, and, if they go to the bank to borrow money, they both will co-sign the note at the bank.

EXERCISE FOUR

1. List each of the job functions or activities that John and Jim are going to have when they start their new business?

2. List the types of business organizations that John and Jim can consider for their new business. Then list the advantages and disadvantages for each of these business organization forms?

3. Of the above business organization forms, which one do you recommend for John and Jim? And what are the main reasons for this recommendation?

4. Give two recommended names for their proposed new business.

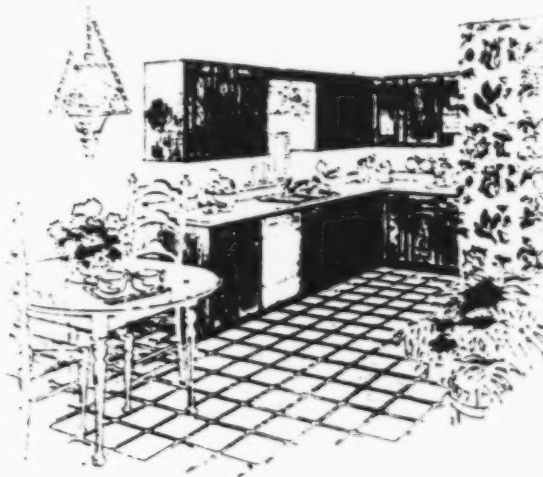
FACILITY AND EQUIPMENT REQUIREMENTS

John and Jim, having been in the business of making Kitchen Cabinets and installing decks, family rooms and general remodeling for several years with American Lumber Company know exactly what they will need in the way of equipment.

Over the years, they each have gathered their own complete set of hand tools and have enough extra tools to equip up to three more carpenters. In addition, between the two of them, they have the proper type of saw sharpening equipment to take care of the sharpening of Hand Saws, Circle Saws, and Carbide Tipped Saws.

They also have their own set of portable electric saws including Saber, Circle and Jig saws. They will have to purchase their stationary saw and other equipment needs. This will include a way of moving lumber around their shop and storage area. Among the many needs will be to cut and install formica, painting and varnishing, wood finishing, measuring, cutting and so on.

Since they are going to go into the manufacturing of "stock" or off the shelf kitchen cabinets, they will need a storage area not only for their finished inventory, but storage for their raw material and work in process. They will also need a showroom to display their finished line as well as to meet prospective customers interested in custom design work.



EXERCISE FIVE

1. Please list the type of equipment John and Jim will need for their new business in addition to the hand tools and saw sharpening equipment which they already have.

2. What will be their needs with regards to their premises? That is, what are the different areas of space they will need?

3. What will be their other operating needs?

FINANCING FOR THE NEW COMPANY

After carefully studying their needs for the new business John and Jim feel that they each can invest \$15,000 from their own personal savings and still have enough money in their savings to maintain their same style of living for four months. In addition, their wives intend to work at their present jobs.

They have found an ideal location for their business and the owner will lease the premises to them for \$2,500.00 per month. No leasehold improvements will be included in the five year lease. Therefore, they will have to make all necessary improvements. The facility has ample parking, a fenced in lot for outdoor storage, and the building itself has 3,000 square feet of space for manufacturing, and 1,500 square feet which can be used as a display room and office facilities. Wash facilities for both men and women as well as a kitchen and three storage rooms are also available. The display room will have to be remodeled.

John and Jim determine that they will need at least the following equipment needs:

Pick Up Truck	\$15,000.00
Woodworking equipment	\$15,000.00
Office Furniture and Equipment including a PC and Printer	\$12,000.00

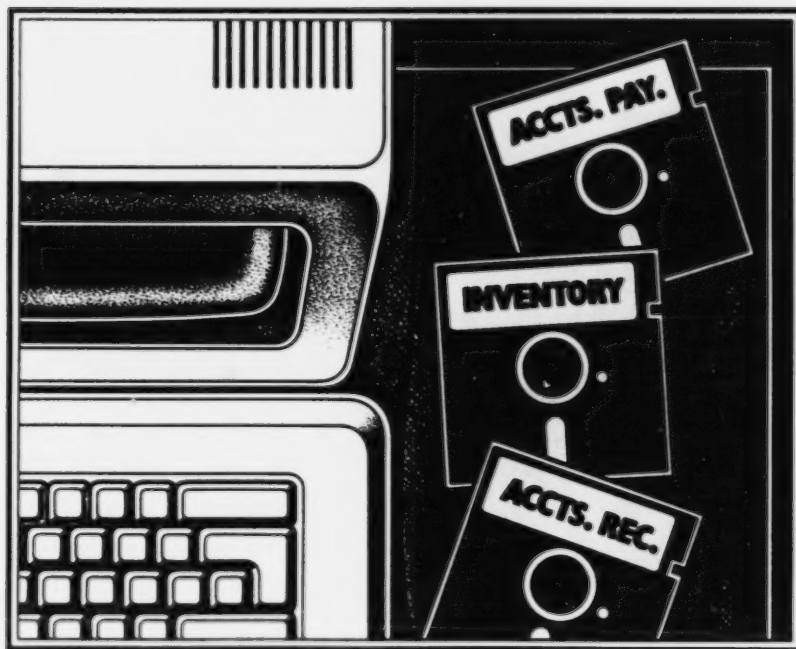
They estimate that their annual expenses for the first year will include the following:

Advertising	\$1,200.00
Car and truck expenses	2,400.00
Dues and Publications	200.00
Insurance	1,200.00
Office Supplies	1,000.00
Legal and Professional services including setting up bookkeeping	2,000.00
Utilities - Heat-Light-Telephone	4,800.00
Receptionist-Bookkeeper	12,000.00
Two (2) Shop workers	24,000.00
Miscellaneous not included above	6,000.00
Fringe benefits for employees	18% of wages

John and Jim do not intend to draw any salary for three months and then they expect to each draw \$1,000.00 per month for three months and then beginning with the seventh month, hope to draw \$1,500 per month.

They have been promised one contract with a builder which will bring them in \$1,500.00 a month, clear profit. That is after production costs, raw material and labor and delivery.

John and Jim have had preliminary discussions with their banker who has expressed interest in helping to finance their new business venture. He has instructed them to prepare their business plan and return to discuss it with him.



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EXERCISE 6

1. Based on the information which is now available to John and Jim, should they go into business?

2. If John and Jim hope to break even for their first years operations, (that is show no profit or no loss after being in business for one year), what will their sales volume have to be for the first year. Assume that the gross margin for the kitchen cabinets that manufacture is 30 Per Cent. (That is, labor and material for every \$100 cabinet that they sell amounts to \$30.00)

3. If they hope to make \$25,000 before taxes in their second year of operations, what will their second year sales forecast amount to?

4. How much of a loan will John and Jim need?

EXERCISE 7

1. John and Jim have completed their business plan. What should they do?



HOW TO SET UP YOUR OWN SMALL BUSINESS STUDY GUIDE

RETAILING FIRM CASE STUDY

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CASE STUDY

John Anderson, age 50, lives in Anytown, USA, population 150,000 with his wife and 15 year old son and 13 year old daughter. A few months ago, Mr. Anderson was given the option of transferring to New York City or taking early retirement as the local branch of his company was being closed. He was the manager of shipping and receiving. He is not willing to relocate to such a large city and has chosen to take the retirement effective last month. His wife, Agnes, has worked outside the home as a bookkeeper for the county for two years. Their combined take home income with the retirement benefits is \$1,500 per month plus insurance with a loan value of \$25,000 and savings of \$25,000 that has been put aside for the kids' college and other future considerations.

The Andersons have lived in their home for 9 years and owe \$45,000 mortgage on the home with payments of \$550/month including principle, interest, taxes and insurance (recently appraised at \$90,000). They also pay \$300/month on two automobile loans. Their average monthly living budget has been \$300/month which, since John's retirement, they have now budgeted to \$650/month. Agnes has good family medical benefits through the county. Thus, their expenses now equal their income.

John has been seeking work, but he is considered too old for most of the available jobs and there are no openings in shipping and receiving. His best offers to date have been real estate sales; working for his brother-in-law selling used cars; and life insurance sales--all of which would require several years before he would make more than an average of more than \$750/month.

John has always had a hobby of woodcraft and he has used his skills to make their yard a showcase. Agnes' hobby has been gardening and flower design.

They are now considering opening a retail shop and seem to have several options:

1) A video cassette rental store is for sale. It would cost \$50,000 and has had profits of \$30,000 three years ago, \$25,000 two years ago and \$20,000 last year.

2) A greeting card/gift shop offered for franchise nationally with advertising indicating \$20-50,000 year net profits for buyers.

3) Opening a yard and garden shop themselves.

EXERCISE 1

1. What reasons do you feel that John Anderson has for going into business?

2. What are some of the disadvantages of John going into business?

3. What are some of the Anderson family's personal needs and how are these going to be affected by John's decision to go into business?

EXERCISE 2

What are the advantages and disadvantages of:

Buying the Video Store? _____

Buying into the franchise? _____

Starting up a lawn and garden store? _____

MARKET

Case Study

Anytown, USA is a town of approximately 150,000 with a major manufacturing plant, a large college of 6,000 students, and is headquarters for a small insurance company.

Having selected the business, a location must be picked out, unless John has decided to buy the Video Store. There are several possibilities, depending on what business is selected: one downtown with the large space; one in a busy shopping center--but there are two gift shops already there; one in a strip shopping center with decent suburban neighborhood traffic; one on the outside edge of the suburbs where development has barely begun; two suburban locations on opposite sides of town.

From the library and the Chamber of Commerce, John has put together statistics indicating:

Market:	Retail Sales last year	\$900,000,000
	Per Capita	6,000
Income:	Per capita	12,000
Population	Total	150,000
	Male	70,000
	Female	80,000
	families number	57,000
	Average family	2.5
	unmarried/without families	7,500
	non-resident students	3,300
	number of private homes	45,000

John has decided to open his own yard and garden store. There are 3 suburban areas plus downtown: one of the suburbs is by the college and the other two are bedroom communities.

Exercise 3

1. Who is going to buy Anderson's product or service?

2. Where is the best location for this business and why?

THE MARKET AND TRADE AREA

John and Jim live in a relatively large metropolitan trade area in which the total population is in excess of 600,000. Approximately two thirds of the population is found within the city and the remainder in five suburban communities, each with approximately 30,000 people.

About 30 per cent of the housing is in single family dwellings, with the balance in apartment units. Their midwestern community is not considered a heavy manufacturing base. Rather, manufacturing is concentrated in the electronics, computer and medical equipment industries and in agriculture.

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As John and Jim think about their proposed business, they agree that they will concentrate their efforts at first in developing customers for their kitchen cabinets. As requests for jobs come in for remodeling, it is their intention to hire a crew to do this type of work under their supervision.

OPERATIONS

Since John has decided to open his own yard and garden store, his wife will work part time on the weekends helping with the gardening/flower end, and John will work full time. John will need a small work shop, and a large display area and racks and special equipment to maintain plants, etc. In checking with equipment suppliers, he finds that these items will cost approximately \$20,000 with another \$2,000 for delivery and installation and another \$10,000 for leasehold improvements. John has visited a greenhouse and lumber yard and sod farm and chemical distributor and all have assured him of appropriate supplies for the store--year around.

John has decided he should have 4000 square feet of indoor retail space. He finds a store that just meets this requirement and it has a large lot of another 6000 square feet plus additional space for ample parking. Rental for the space is \$4.50 per square foot or \$18,000/year.



EXERCISE 4

1. Premises

What will be John's requirements regarding premises?

2. Equipment

What equipment might John need?

3. What will John's other initial operating needs be?

FINANCE

Case Study

John has researched the start up costs for a lawn and garden store and estimates them as follows:

Rent (or mortgage costs)	\$ 1500 per month
Leasehold improvements (or renovations)	10000
Additional equipment, furniture and fixtures	5000
Telephone	100 per month
Advertising	1000 per month
Heat, light and water	220 per month
Purchase inventory	120000
Insurance	800
Start up costs	2000
Equipment costs	30000

From the findings of John's market survey and with library research and his banker, they have determined that the first year sales might realistically be \$500,000. Examining statistics for lawn and garden shops, John learns that the cost of goods sold for similar businesses with the expected volume of his shop averages between 41-48%. It has been decided that John should have at least \$8000 on hand as working capital to meet expenses for the first few months.

The banker has expressed interest in assisting John and preliminary discussions indicate that he is willing to lend him up to \$80,000 at 12% interest. The principal would be paid over 5 years but payments would not start until the second year. The suppliers have agreed to finance 50% of the inventory.

For inventory purposes, he will need most of his inventory in April, May and June. Traditionally, 50% of sales in the lawn and garden industry in Anywhere, USA come during April and May.

EXERCISE 5

1) What kinds of insurance should John purchase?

2) John might need additional financing, where else might he seek financial backing?

COMPETITION

Case study

In Anywhere, there are four other stores dealing in yard and garden supplies: one is a national franchise, Gardens-R-Us located in the city's largest shopping mall; 2 stores in the city, and one by the college. John's location is in the middle of the northern suburb, a growing community not yet fully developed.



EXERCISE 5

1) How should John direct the promotion of his yard and garden shop?

2) What does John need to know about the competition?

3) How can John compete and with which shops specifically?

EMPLOYEES

Case study

John feels he will need three full time employees during the week. His wife and two children can help him with the store after 5:00pm and on weekends. As noted, April, May and June are the busiest months when most of the sales are made. During that time, John will need extra part time help.



EXERCISE 7

What skills, abilities, etc. will be needed for the full time employees?

Where and how will John find the full time employees?

The employees will handle cash and have access to valuable inventory, what steps can John take to avoid being ripped off?

How many part time employees will John need during the busy months? How can he schedule them?

EXERCISE 3

1) Forecasting

Prepare a 12 month forecast for John.

John's Home and Garden Shop
Forecast for 12 months ending _____

Sales	_____
Cost of goods sold	_____
Gross profit	_____
Expenses	
* Rent	_____
* Utilities	_____
* Advertising	_____
* Telephone	_____
* Insurance	_____
* Interest	_____
* Wages--owner	_____
--family	_____
--employees	_____
* Other	_____

Total Expenses	_____
Profit	_____

2) Financing

Determine the financial needs of John's new business.

Program	Financing
Inventory	Bank loan
Equipment	
Leasehold improvement	
Start-up costs	
Working capital	Owner's capital
_____	_____
_____	_____
_____	_____